

## THINGS TO WATCH

### Retail Sales

Tomorrow morning, U.S. Census Bureau data is expected to show U.S. retail sales grew 0.5% last month after a 0.4% gain in October. Analysts at BofA Securities said their data indicates overall consumer spending in the eight weeks through December 7 slightly outpaced the same period a year ago.

### Fed Decision

Federal Reserve policymakers are widely expected to cut their benchmark rate by 0.25% Wednesday afternoon to a range of 4.25%-4.50%. As of last Friday, pricing in the fed funds futures market implied another 0.50% of Fed easing in the first half of 2025. Any messaging from Fed Chair Powell at the post-meeting press conference suggesting a slower pace of rate cuts than what the market expects could push bond yields higher and put downward pressure on the S&P 500.

### U.S. Treasury Yield Curve

Hotter-than-expected readings in the November producer price index (PPI) and import prices, along with a stall in the consumer price index (CPI) last week, combined to push long-term yields higher at a faster pace than short-term yields. Last Thursday, the yield on the 10-year note (which closed the week near 4.4%) eclipsed the 3-month note yield for the first time since November 2022. Key economic data this week (retail sales, core PCE index) and Federal Reserve messaging will probably determine if the yield curve continues its recent steepening trend into year-end.

### Paychex (PAYX)

Thursday morning, results and management guidance from PAYX should provide a read on recent labor market trends and business sentiment heading into 2025. As a company focused on payroll processing and human resources services for small and medium-sized U.S. firms with a core market of customers with 0-50 employees, PAYX is uniquely well-positioned to weigh in on the small business hiring environment.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	101.7	91.2	▲
Consumer Price Index (Y/Y)	2.7%	2.5%	▲
Core Consumer Price Index (Y/Y)	3.3%	3.2%	▲
Producer Price Index (Y/Y)	3.0%	2.1%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	43828.06	-1.78%	18.43%	20.36%
NASDAQ	19926.73	0.36%	33.68%	36.30%
S&P 500	6051.09	-0.61%	28.54%	30.33%
MSCI EAFE	2337.98	-1.49%	6.55%	9.10%
BB U.S. Aggregate	2213.07	-1.42%	2.04%	3.21%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.32%	4.50%	5.36%
10-Year Treasury	4.40%	4.45%	4.02%

REPORTS DUE THIS WEEK	LATEST
Retail Sales (M/M)	0.4%
Building Permits (Millions Annualized)	1.42
Housing Starts (Millions Annualized)	1.31
Existing Home Sales (Millions Annualized)	3.96
Core PCE Price Index (Y/Y)	2.8%

Total returns are as of 12/13/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

## NUMBERS OF THE WEEK

26%

According to the U.S. International Trade Commission, the proportion of U.S. textile and apparel imports in 2023 from China, down from 37% in 2017. Over the last seven years, U.S. retailers have shifted a significant portion of their supply base from China to Vietnam, India, and Bangladesh during and after the U.S.-China tariff dispute of 2018-2019. The geographic profiles of U.S. companies' supplier bases are likely to come under increasing scrutiny as the incoming Trump administration sets forth its trade policy priorities.

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Last Thursday marked the tenth consecutive day of negative breadth in the S&P 500 (when more stocks decline in a trading session than advance). According to Barron's, such an extended stretch of negative breadth at the index level has not occurred since October 2000. Thus far in December through last Friday, the market cap-weighted S&P 500 (+0.38%) has outpaced the S&P 500 equal weighted index (-2.57%) by a particularly wide margin of 2.95% over a two-week period.

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